

Message Text

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73

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03

PA-01 USIA-06 PRS-01 /116 W

----- 064560

R 020130Z APR 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7333

INFO AMEMBASSY LAGOS

AMEMBASSY MOSCOW

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 3844

E.O. 11652: GDS

TAGS: ENRG ID

SUBJECT: ENERGY: USG CONSIDERATION OF FUTURE ROLE
FOR LNG

REF: A. JAKARTA 3361 (NOTAL)

B. STATE 69117 (NOTAL)

1. BEGIN UNCLASSIFIED. ON MARCH 29 EMBASSY RECEIVED
TEXT OF PRESS STATEMENT FOR RELEASE MARCH 31 BY
PACIFIC LIGHTING (PL) CONCERNING PURCHASE OF 546
MILLION CUBIC FEET (ONE CUBIC FT EQUALS 1,135 BTU)
LNG PER DAY FOR TWENTY YEARS WITH DELIVERIES BEGINNING
LATE 1979. IN SUMMARY, RELEASE SAYS PL WILL FILE ON
MARCH 31 AMENDMENTS WITH FPC TO REFLECT CHANGES,
INCLUDING PRICE, IN ITS ORIGINAL APPLICATION. STATE-
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MENT NOTES CONTRACT HAS BEEN APPROVED BY GOI AND

NEW AMENDMENTS SHOW PRICING FORMULA CHANGE TO BASE PRICE FORMULA, DESIGNED TO REFLECT FLUCTUATING WORLDWIDE ENERGY MARKET AND IS TIED EQUALLY TO PRICE OF INDONESIAN CRUDE OIL AND U.S. WHOLESALE PRICE INDEX FOR FUELS. DELIVERED PRICE DEPENDS ON OUTCOME NEGOTIATIONS ON SHIPPING ARRANGEMENTS. END UNCLASSIFIED.

2. COMMENT. ISSUANCE OF PRESS RELEASE MARKS LATEST CHAPTER IN PL, PERTAMINA AND GOI NEGOTIATIONS DATING TO 1973 AND CONFIRMS RECEIPT BY PL OF FORMAL GOI APPROVAL REPORTED REFTEL A. WHILE WE RELASIZE COMPLEXITY AND CONSTRAINITS FACING ENERGY RESOURCES COUNCIL (ERC) IN DEVELOPING COMPREHENSIVE LNG POLICY, WE ARE HOPEFUL ERC WILL TAKE CLOSE LOOK AT PL/PERTAMINA CONTRACT, KEEPING IN MIND THIS CONTRACT HAS BEEN FORMALLY APPROVED BY THE GOI. WOULD HOPE ALSO THAT ERC DECISIONS COULD BE SO WORDED THAT ANY RESTRICTIVE POLICIES WOULD EXCLUDE APPLICATION TO THIS PL/PERTAMINA AGREEMENT, WHICH WE DO NOT CONSIDER A NEW AGREEMENT.(FYI. BASIC PERTAMINA/PL SALES CONTRACT WAS SIGNED SEPT 6, 1974. ON NOV 30, 1973, PL FILED SECTION 3 APPLICATION WITH FPC FOLLOWED BY SECTION 7 AND SECTION 3 SUPPLEMENT FILING FEB 14, 1974. THUS, MARCH 31 FILING IS AMENDMENT TO ORIGINAL APPLICATION AND NOT NEW APPLICATION. END FYI.) IF ERC TAKES POSITION AGAINST LNG IMPORTS IN GENERAL, WHICH COULD BE INTERPRETED AS APPLYING RETROACTIVELY TO AGREEMENT FOR LNG IMPORTS FROM INDONESIA, WE CAN EXPECT SHARP REACTION FROM HIGHEST LEVEL GOI WHICH IS TILL SMARTING FROM TRADE ACT EXCLUSION OF OPEC COUNTRIES FROM GENERALIZED PREFERENCES.

3. IN CONSIDERING FUTURE USG POLICY ON LNG, WE WOULD ENCOURAGE ERC DECISIONS TO RETAIN FLEXIBILITY TO TAKE INTO ACCOUNT CERTAIN KEY CONSIDERATIONS WHICH PL/PERTAMINA AGREEMENT ILLUSTRATES: (A) ITS FLEXIBEL PRICE FORMULA WHICH WOULD ADJUST FUTURE LNG PRICE TO FUTURE CHANGES IN U.S. FUEL PRICES--(WHICH RESPONDS TO CONCERN RAISED PARA 2D OF REFTEL B); (B) INDONESIAN CONCERN

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TO DIVERSIFY ITS MARKETS AT PRICES SUBSTANTIALLY BELOW THOSE AGREED ON WITH JAPANESE TO EXTENT OF POSSIBLY \$1 BILLION U.S. SAVINGS OVER 20-YEAR CONTRACT. EMBASSY CONSIDERS INDONESIAN SOURCE ENERGY SUPPLIES OFFER GREATER SECURITY THAN THOSE FROM MOST OTHER OFFHSORE AREAS AND NO LESS SECURITY THAN OIL SUPPLIES FROM THIS SOURCE. (C) PL BELIEVES THAT DOMESTIC ALTERNATIVES, EVEN WITH DEREGULATION DO NOT OFFER ANY

ALTERNATIVE TO WEST COAST NEEDS WITHIN EARLYFRAMEWORK OF
PERIOD FOR INDONESIAN LNG CONTRACT.
NEWSOM

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TAGS: ENRG, ID, PACIFIC LIGHTING
To: STATE
Type: TE
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